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prohibition of the sale of absinthe, and extends federal power to a slight extent. This amendment introduces a new article 32 (iii), which reads as follows. "Art. 32 (iii). The manufacture, importation, transportation, sale, or keeping for sale of the liquor known as absinthe is forbidden throughout the confederation. This prohibition extends to all drinks, whatever may be their names, which constitute an imitation of absinthe. The transportation in transit and the use of absinthe for pharmaceutical purposes are excepted. The above prohibition becomes effective two years after its adoption. Federal legislation shall provide the regulations rendered necessary in consequence of this prohibition. The confederation shall have the right by legislation to decree the same prohibition with reference to all other drinks containing absinthe which may constitute a public danger."

W. F. D.

Taxation—England. England is again in need of an increased supply of revenue for the purposes of government. With the old rates and the old sources there must necessarily be a deficit unless there is more economy in administration or unless, perchance, the government gives up certain projects it has undertaken. It is the old and oft-repeated story; the expenses of government are increasing very rapidly and must be met; the old sources must not only be continued in use but the old rates must be raised and new sources of a slightly different character found.

The preliminary estimates of revenue and expenditure show a possible deficit of over £16,000,000. The proposed additional estate duties are estimated to yield £2,850,000; the additional rate and super-tax on incomes, £3,500,000; the additional stamp duties, £650,000; the additional spirit duties, £1,600,000; the additional tobacco duties, £1,900,000; and liquor licenses, £2,600,000; making a total of £13,100,000. It is proposed to make up the deficit still remaining in two ways; first by a diminution in the appropriation for the reduction of the national debt, and second by a new land tax estimated to yield £500,000.¹

All of these items are of interest but this discussion will be limited to the land and mineral taxes, to the estate and succession duties and to the income tax.

INCREMENT VALUE DUTY. A duty, called an increment value duty, amounting to £1 for every £5 of the unearned increment, is to be charged, levied, and paid on the increment value of land. This tax, or a propor-

¹ "The Budget," by Robert Giffin, in *The Quarterly Review*.

tional part of it, is to become due whenever the land is leased, sold, or transferred, or if no lease or conveyance is made, then at definite and stated periods. It may be either on the occasion of a transfer of the land or any interest in the land by sale, or on the grant of any lease for a term of years, not less than seven, or on the death of any person where land or any interest in the land is included under the inheritance tax act of 1894, or where the land or any interest in it is held by a body corporate or incorporate.

In a problem so difficult as the amount of the unearned increment over a period of years, it is necessary to give some definitions and rules if the law is to be administered and satisfactory results obtained. The English bill has attempted this. The total value of land is defined as the amount which the fee simple of the land, if sold at the time by a willing seller in the open market in its present condition, might be expected to bring; the site value, the amount which the fee simple of the land, if sold at the time by a willing seller in the open market, might be expected to realize if the land were divested of any buildings or of any other structures including fixed or attached machinery appurtenant to or used in connection with the buildings and of all growing timber, fruit trees, fruit bushes; and in fact anything else growing upon the land. For the purpose of both total value and site value, the land is to be deemed sold free from incumbrances, but subject to any easements affecting it and to any covenant restricting its use if entered into before the thirtieth day of April, 1909, and if in the opinion of the commissioner the restraint imposed is reasonably necessary in the interest of the public.

The commissioner must allow as a deduction from the site value of the land any part of the value directly attributable to works of a permanent character for the purpose of fitting the land for use as building land or for the purpose of any business, trade, or industry other than agriculture, and also any sums which in the opinion of the commissioners it would be necessary to expend in order to divest the land of buildings, timber, trees, or other things, for the purpose of realizing the full site value. The site value as reduced by these deductions is to be taken as the true site value for the purposes of this act.

With these general definitions and concepts in mind, we may consider the specific rules for calculating the actual increment value. It is to be the amount, if any, by which the site value, at the time when the increment value becomes due, exceeds the original site value. The method of finding at the site value at the time of lease, transfer, or at the end of

periodic intervals, differs with the lease or conveyance. When the occasion is the transfer of the fee simple by sale, then the site value is to be the value of the consideration; when the occasion is the granting of a lease or the transfer of any interest in the land by sale, then the site value is to be the value of the fee simple calculated on the basis of the value of the consideration for the grant of the lease or the transfer of the interest and when the occasion is the death of a person, then the site value is to be the principal value of the land determined by what it would bring in the open market.

These returns showing the site value are then subject to such deductions as the commissioners may allow. These diminutions may be due to the value of the buildings or other structures, to good will or any other matter which is personal to the individual interested for the time being in the land, and in fact all other values attributable to works of a permanent character. In the case of agricultural lands, the value which is due solely to its capacity for agricultural purposes may be deducted. The sum left after making these deductions is considered as the true site value.

The method of collecting this tax is comparatively simple. It is made a stamp duty and since the increment value is ascertained and payable at the time of transfers and new leases the tax is easily collected and almost unavoidable.

Where there is no transfer of land and no new leases, the object of the law must be accomplished by some other means than a stamp tax on the transfer or lease. Bodies corporate and incorporate in England are already required to render a full and true account of all their property, and the gross annual value, income or profits accruing during the year. The proposed law would require an account of the unearned increment accruing on the land during the period between times of collection. This tax is to be due on the first of April, 1914, and every subsequent fifteenth year thereafter. The duty may be paid yearly instead of in a lump sum if the body corporate or unincorporate so desire. This provision for the collection of the tax from corporations is not to affect the levy of the increment value duty when land or interest in land is sold by them.

REVERSION DUTY. A tax, called a reversion duty, is also to be levied on the renewal of a lease for a term of years. It amounts to a tax of £1 on the full £10 of the value of the benefit, accruing to the lesser by reason of the determination of the contract. The benefit is deemed to be the amount, if any, by which the total value of the land at the time

the lease expires exceeds the value of the consideration for the original grant of the lease. This reversion duty and the increment value duty are not to be double taxes, for if the increment value duty is due and it is proven to the satisfaction of the commissioners that the reversion duty has been paid, that payment is looked upon as a payment on the increment value, and, if on the other hand, the reversion duty is due and it is proven to the satisfaction of the commissioners that the increment value duty has been paid, that payment in turn is looked upon as a payment of the reversion duty.

DUTY ON UNDEVELOPED LANDS. The undeveloped land duty is to be a yearly tax levied at the rate of one-half penny for every twenty shillings of site value. Land is deemed to be undeveloped if it has not been improved by being built upon, or by being used bona fide for any business, trade, or industry other than agriculture. Even when land has been once developed and again becomes vacant or unoccupied, it is, after the expiration of one year, to be treated as undeveloped land.

Certain very important exceptions must necessarily be made to this rule and certain of them are made. Land with a site value of less than £50 per acre, agricultural lands of whatever value—but only in so far as the site value of the land is due to the value of the land for agricultural purposes—and parks, gardens, and athletic fields, if used for the benefit of the public, are exempt from the payment of the duty.

MINERAL RIGHTS DUTY. In addition to the other duties and taxes levied on land, there is to be a mineral right duty at the rate of a half-penny for every twenty shillings of the capital value. The total value of minerals is defined to mean the amount which the fee simple of the minerals might be expected to bring if sold in the open market by a willing seller in their condition at the time of sale and the capital value means the total value after allowing deductions for any sums which have been spent for the purpose of bringing the minerals in working. The undeveloped land duty and the mineral rights duty are to be assessed by the commissioners and payable at any time after the first of January of the year for which the duty is charged.

The commissioners must, as soon as may be after the passage of this act, cause returns to be made for all landowners declaring the total value and the site value of their possessions. These returns are examined and if no objections are made to them, they are considered as the correct, original total value and original site value. If, however, the commissioners consider these values incorrect, they must object and ask the owner to revise them. If the amended return is satisfactory to the commis-

sioner, it is taken, but if it is not or if the owner refuses to amend them, the value of the land is determined by the commissioners themselves, and their determination is binding except upon appeal.

All owners of undeveloped land and minerals must make a return in the year 1914 and every subsequent year, showing the site value of the land and the capital value of the minerals.

In ordinary cases, any person aggrieved may appeal from the decision of the commissioners to referees appointed by his majesty. These referees are to be men experienced in the valuation of land, and their decision is to be final.

THE INHERITANCE DEATH TAX—DUTIES. Again they have proposed to amend the death duties act. The classification of estates on the basis of value is to be retained but made more minute, and an increase in the corresponding rates is to be added. Under the law now in force the rate begins with £1 per cent on estates exceeding £100, but not exceeding £500, runs up to £10 per cent on estates exceeding £1,000,000. After the £1,000,000 point is reached, the £10 rate per cent continues on the value of the estate up to £1,000,000 but increases very rapidly on the excess over that point until estates of £3,000,000 and over are taxed £10 per cent on £1,000,000 and £15 per cent on the amount over that sum. The proposed law makes the classification more minute and the rates correspondingly higher. A flat rate of 15 per cent is to be imposed on all incomes over £1,000,000 instead of a £10 per cent rate on the first million and an increasing rate on the excess.

The rate of the settlement of estate duty has also been increased from 1 per cent to 2 per cent.

The legacy or succession duty has also been changed and new and higher rates established, which are in part counteracted by higher exemptions. Under the present law, a succession duty of £3 per cent was collected if the successor was a brother or sister or a descendent of a brother or sister of the predecessor. The proposed law raises this rate to 5 per cent. Under the present law if the successor was a brother or sister of the father or mother of the predecessor the rate was £5 per cent, and if a brother or sister of the grandfather or grandmother of the predecessor, the rate was £6 per cent. It is now proposed to change both of these rates to 10 per cent. The exceptions have been increased under the proposed law and now the duty is not to be levied when the principal value of the property passing on the death of the deceased does not exceed £15,000 whatever may be the value of the legacy or necessities, or when the amount of the legacy claimed by the same person from the

testator, intestate or predecessor does not exceed £1000, or where the person taking the legacy or succession is a widow or a child of the testator, intestate or predecessor, and the total amount of the legacy or succession claimed by the same person does not exceed £10,000. These exceptions are considerable higher than under the old law and afford some relief to those now subject to the higher rates.

The income tax rate has not only been increased but a super tax on incomes over £5000 has been added. The rate in force during 1907–1908 was one shilling but under the proposed law, it is to be raised to one shilling two pence.

The new feature of the English income tax law is the super tax. The characteristic feature of the English income tax up to date has been the system of collection at the source without any attempt at progression in the rate. In fact, it is a much disputed question whether or not a progressive rate can be used if the tax is collected at the source. England has attempted to solve the problem by adding a super tax but at the same time, has wisely retained the plan of collecting the bulk of the tax before the income reaches the recipient. The super tax seems to necessitate a personal declaration of total income.

The plan is as follows: the regular one shilling two pence tax is collected so far as possible at the source, and then an additional six pence tax on the pound is levied upon the individual's total income in excess of £3000 regardless of source, but only when his total income exceeds £5000. If his total income be less than £5000 the tax would not begin at the £3000 point.

Such, in brief, are the important tax items of the proposed budget. No attempt has been made to discuss the significance of the budget nor yet the tendencies.

ROBERT ARGYLL CAMPBELL.

Taxation—Inheritance, Income and Corporation Taxes—United States.

The task of the present congress (sixty-first, first session) is to revise the tariff and provide revenue sufficient for carrying on all the branches of the federal government. There is a strong belief in congress—in fact it is almost certain—that the new tariff schedules will not yield adequate revenue even if careful economy in administration is practiced. This being true, it is evident that other means of obtaining revenue must be resorted to. The vital question is, What means?

At one time or another, each branch of congress and the president